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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

May 31, 1943

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended May 31		Twelve Months Ended May 31	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$ 109,378	$ 617,055	$1,140,144	$2,936,026
Other	236,482	8,386	476,287	53,537
TOTAL INCOME	$ 345,860	$ 625,441	$1,616,431	$2,989,563
EXPENSES:				
Expenses, excluding Taxes	$ 95,673	$ 72,931	$ 346,401	$ 373,149
Taxes, excluding Federal income:				
Federal	1,218	27,103	38,610*	146,722
Other	4,870	7,614	25,356	29,503
TOTAL EXPENSES	$ 101,761	$ 107,648	$ 333,147	$ 549,374
NET OPERATING INCOME	$ 244,099	$ 517,793	$1,283,284	$2,440,189
INTEREST AND OTHER DEDUCTIONS FROM INCOME	342	11,056	5,993	154,076
BALANCE	$ 243,757	$ 506,737	$1,277,291	$2,286,113
FEDERAL INCOME TAX	13,400	23,450	56,027	44,784
NET INCOME	$ 230,357	$ 483,287	$1,221,264	$2,241,329

*Net credit after adjustment of $43,229 overprovision for Federal capital stock tax applicable to the five months ended May 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended May 31, 1943

EARNED SURPLUS, JUNE 1, 1942 (all restricted as to common dividends, and $5,009,129.50 restricted as to preferred dividends)	$ 7,296,667.18
ADD:	
Net income for the twelve months ended May 31, 1943	1,221,263.91
Excess of estimated amount in capital stock account representing $6 preferred stock re-acquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	3,970,525.30
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock	7,668,996.98
Adjustment of prior year Federal capital stock tax	51,875.00
TOTAL	$20,209,328.37
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on Lancaster County Railway and Light Company 5% Collateral Trust Mortgage Gold Bonds reacquired	69,368.61
Additional loss from liquidation of Memphis Power & Light Company	9,402.32
Additional loss from liquidation of South Texas Utilities Company	585.56
Miscellaneous adjustments	623.15
Dividend appropriations—$6 preferred stock	1,098,421.48
TOTAL	$ 8,231,699.84
EARNED SURPLUS, MAY 31, 1943 (all restricted as to common dividends, and $9,515,996.57 restricted as to preferred dividends)	$11,977,628.53

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended May 31		Twelve Months Ended May 31	
Subsidiaries	1943	1942	1943	1942
Operating Revenues	$20,870,170	$21,850,037	$88,834,496	$88,202,949
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,409,966	$10,269,372	$42,245,840	$43,089,938
Direct Taxes:				
Federal	2,875,337	3,731,696	13,828,594	11,789,986
Other	1,398,217	1,439,601	5,427,412	5,467,333
Property Retirement Reserve Appropriations	1,639,604	1,625,291	6,833,679	6,661,847
Total Operating Revenue Deductions	$16,323,124	$17,065,960	$68,335,525	$67,009,104
Net Operating Revenues	$ 4,547,046	$ 4,784,077	$20,498,971	$21,193,845
Rent from Lease of Plants (Net)	4,095	3,707	18,796	12,059
Operating Income	$ 4,551,141	$ 4,787,784	$20,517,767	$21,205,904
Other Income	$ 24,302	$ 19,805	$ 109,169	$ 123,169
Other Income Deductions	10,537	9,745	46,118	52,129
Other Income (Net)	$ 13,765	$ 10,060	$ 63,051	$ 71,040
Gross Income	$ 4,564,906	$ 4,797,844	$20,580,818	$21,276,944
Interest to Public and Other Deductions	$ 2,154,265	$ 2,385,567	$ 8,979,284	$ 9,544,343
Less Interest charged to Construction	84,192	55,192	305,074	131,882
Net Interest to Public and Other Deductions	$ 2,070,073	$ 2,330,375	$ 8,674,210	$ 9,412,461
Balance	$ 2,494,833	$ 2,467,469	$11,906,608	$11,864,483
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,331,830	1,405,802	5,465,066	5,623,206
Balance	$ 1,163,003	$ 1,061,667	$ 6,441,542	$ 6,241,277
Portion applicable to Minority Interests	2,165	71,348	560,514	169,124
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,160,838	$ 990,319	$ 5,881,028	$ 6,072,153
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,160,838	$ 990,319	$ 5,881,028	$ 6,072,153
Other Income	236,482	8,386	476,287	53,537
Total	$ 1,397,320	$ 998,705	$ 6,357,315	$ 6,125,690
Expenses, excluding Taxes	$ 95,673	$ 72,931	$ 346,401	$ 373,149
Taxes, excluding Federal income:				
Federal	1,218	27,103	38,610*	146,722
Other	4,870	7,614	25,356	29,503
Total Expenses	$ 101,761	$ 107,648	$ 333,147	$ 549,374
Balance before Interest and Other Deductions	$ 1,295,559	$ 891,057	$ 6,024,168	$ 5,576,316
Interest and Other Deductions	342	11,056	5,993	154,076
Balance	$ 1,295,217	$ 880,001	$ 6,018,175	$ 5,422,240
Federal Income Tax	13,400	23,450	56,027	44,784
Balance Carried to Consolidated Earned Surplus	$ 1,281,817	$ 856,551	$ 5,962,148	$ 5,377,456

*Net credit after adjustment of $43,229 overprovision for Federal capital stock tax applicable to the five months ended May 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of May 1943 and 1942

	1943	1942
Operating Revenues	$7,072,339	$7,313,770
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,589,058	$3,495,417
Direct Taxes:		
Federal	933,592	1,218,921
Other	485,848	469,248
Property Retirement Reserve Appropriations	560,053	538,888
Total Operating Revenue Deductions	$5,568,551	$5,722,474
Net Operating Revenues	$1,503,788	$1,591,296

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

In December 1942, the voting control of National in Houston became less than 50% and National has not included Houston in its consolidations after November 30, 1942. Operations of Houston while a majority-owned subsidiary, are included in the accompanying statement of consolidated income.

On March 24, 1943 the Company filed an application with the Commission for the approval of the plan filed May 12, 1942, as amended, and for authority to consummate forthwith (1) sale of the remaining 242,664 shares of common stock of Houston Lighting & Power Company owned by National; (2) sale of the 16,806 shares of $7 preferred stock of Carolina Power & Light Company owned by National; and (3) with the proceeds derived from the sale of stocks mentioned in (1) and (2), together with other available funds, retire the $6 preferred stock of National Power & Light Company outstanding with the public at $100 per share plus accumulated dividends thereon to date fixed for retirement. In its Orders dated April 26 and May 11, 1943, the Commission gave its approval with respect to (1) and authorized National to retire, with the proceeds obtained from (1), together with other treasury funds, $6 preferred stock as outlined in (3), to the extent of available funds. The sale of common stock of Houston Lighting & Power Company was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. At the annual meeting held June 3, 1943, the stockholders voted approval of the retirement of 138,000 shares of National's $6 preferred stock on June 16, 1943, said shares to be cancelled forthwith. No hearing has been held with respect to (2).

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942. The operations of West Tennessee after June 30, 1942, are not included in the accompanying statement of consolidated income.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum. In its Order dated December 15, 1942, the Commission directed that Carolina Power & Light Company shall not declare or pay any dividends on its common stock except after fifteen (15) days' advance notice to the Commission.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended May 31		Twelve Months Ended May 31	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	$149,999.88	None	$ 649,999.48
Pennsylvania Power & Light Company	$75,163.00	46,976.88	$375,815.00	366,419.63
Total	$75,163.00	$196,976.76	$375,815.00	$1,016,419.11

5. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $661,000 for taxes based upon income would have been required for the twelve months ended May 31, 1942.

6. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks, held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

June 30, 1943

The information furnished is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Two Rector Street, New York 6

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

June 30, 1943

Assets

Investment Securities and Advances—Subsidiaries and Minor Other Investments		$118,359,517.64
Current Assets:		
Cash in Banks—On Demand	$ 491,615.82	
Special Cash Deposits	1,345,304.88	
Accounts Receivable	250.00	
Accrued Interest Receivable:		
Subsidiaries—Consolidated	5,129.57	
Others	656.25	
Dividends Receivable—Subsidiaries—Consolidated	29,410.50	
Other Current Assets	750.00	
Total Current Assets		1,873,117.02
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 52,122.41	
Other	7,598.31	59,720.72
Reacquired Capital Stock (1,048 Shares $6 Preferred Stock)		102,592.09
Total		$120,394,947.47

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		$ 99,734,105.71
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 233,332 shares; outstanding, 13,048 shares		
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		
Long-Term Debt:		
Lancaster County Railway and Light Company, Fifty-Year Five Per Cent. Collateral Trust Mortgage Gold Bonds, due July 1, 1951 (less $974,000 principal amount reacquired, of which $973,500 are pledged under this issue)		26,000.00
Current Liabilities:		
Accounts Payable:		
Associate Companies	$ 4,102.56	
Others	16,230.65	
Accrued Interest	1,940.00	
Preferred Dividend Declared, Payable August 2, 1943	18,000.00	
Accrued Taxes	90,713.53	
Liquidation Account—Tennessee Public Service Company	327,605.96	
Long-Term Debt Called for Redemption, Including Premium and Interest (Cash in Special Deposits)	198,939.63	
$6 Preferred Stock Drawn for Retirement on June 16, 1943, Including Accumulated Dividends (Cash in Special Deposits)	1,145,225.25	
Total Current Liabilities		1,802,757.58
Reserve for Losses or Adjustments With Respect to Capital Assets		6,996,760.58
Reserve (appropriated from Capital Surplus)		281,378.26
Earned Surplus (all restricted as to common dividends, and $9,221,563.46 restricted as to preferred dividends)		11,553,945.34
Total		$120,394,947.47

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended June 30		Twelve Months Ended June 30	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$ 114,507	$ 453,284	$1,018,199	$2,801,733
Other	146,098	8,183	474,364	53,011
TOTAL INCOME	$ 260,605	$ 461,467	$1,492,563	$2,854,744
EXPENSES:				
Expenses, excluding Taxes	$ 95,779	$ 91,202	$ 349,480	$ 382,404
Taxes, excluding Federal income:				
Federal	2,456	27,087	45,977*	154,279
Other	4,857	7,599	24,482	29,565
TOTAL EXPENSES	$ 103,092	$ 125,888	$ 327,985	$ 566,248
NET OPERATING INCOME	$ 157,513	$ 335,579	$1,164,578	$2,288,496
INTEREST AND OTHER DEDUCTIONS FROM INCOME	342	4,528	4,717	123,221
BALANCE	$ 157,171	$ 331,051	$1,159,861	$2,165,275
FEDERAL INCOME TAX	6,899	22,185	49,099	41,411
NET INCOME	$ 150,272	$ 308,866	$1,110,762	$2,123,864

*Net credit after adjustment of $51,875 overprovision for Federal capital stock tax applicable to the six months ended June 30, 1942.

Summary of Earned Surplus
For the Twelve Months Ended June 30, 1943

EARNED SURPLUS, JULY 1, 1942 (all restricted as to common dividends, and $5,249,523.20 restricted as to preferred dividends)	$ 7,306,215.07
ADD:	
Net income for the twelve months ended June 30, 1943	1,110,761.78
Excess of estimated amount in capital stock account representing $6 preferred stock reacquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	3,730,131.60
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $67,250.72)	7,656,285.90
Adjustment of prior year Federal capital stock tax	51,875.00
Miscellaneous adjustments	67.04
TOTAL	$19,855,336.39
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	281,710.06
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	69,368.61
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Dividend appropriations—$6 preferred stock	887,013.81
TOTAL	$ 8,301,391.05
EARNED SURPLUS, JUNE 30, 1943 (all restricted as to common dividends, and $9,221,563.46 restricted as to preferred dividends)	$11,553,945.34

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended June 30		Twelve Months Ended June 30	
Subsidiaries	1943	1942	1943	1942
Operating Revenues	$21,409,464	$21,948,821	$88,626,506	$88,644,046
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,679,053	$10,254,911	$42,392,580	$43,072,784
Direct Taxes:				
Federal	2,984,094	3,829,250	13,482,413	12,465,432
Other	1,397,713	1,440,040	5,384,980	5,477,464
Property Retirement Reserve Appropriations	1,680,408	1,624,885	6,855,214	6,721,938
Total Operating Revenue Deductions	$16,741,268	$17,149,086	$68,115,187	$67,737,618
Net Operating Revenues	$ 4,668,196	$ 4,799,735	$20,511,319	$20,906,428
Rent from Lease of Plants (Net)	4,103	3,708	18,805	13,175
Operating Income	$ 4,672,299	$ 4,803,443	$20,530,124	$20,919,603
Other Income	$ 37,197	$ 29,652	$ 112,810	$ 122,047
Other Income Deductions	11,400	9,885	47,016	51,339
Other Income (Net)	$ 25,797	$ 19,767	$ 65,794	$ 70,708
Gross Income	$ 4,698,096	$ 4,823,210	$20,595,918	$20,990,311
Interest to Public and Other Deductions	$ 2,126,727	$ 2,389,140	$ 8,867,611	$ 9,543,460
Less Interest charged to Construction	82,571	59,642	310,161	138,098
Net Interest to Public and Other Deductions	$ 2,044,156	$ 2,329,498	$ 8,557,450	$ 9,405,362
Balance	$ 2,653,940	$ 2,493,712	$12,038,468	$11,584,949
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,336,402	1,405,802	5,442,108	5,623,206
Balance	$ 1,317,538	$ 1,087,910	$ 6,596,360	$ 5,961,743
Portion applicable to Minority Interests	2,288	102,361	503,269	204,268
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,315,250	$ 985,549	$ 6,093,091	$ 5,757,475
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,315,250	$ 985,549	$ 6,093,091	$ 5,757,475
Other Income	146,098	8,183	474,364	53,011
Total	$ 1,461,348	$ 993,732	$ 6,567,455	$ 5,810,486
Expenses, excluding Taxes	$ 95,779	$ 91,202	$ 349,480	$ 382,404
Taxes, excluding Federal income:				
Federal	2,456	27,087	45,977*	154,279
Other	4,857	7,599	24,482	29,565
Total Expenses	$ 103,092	$ 125,888	$ 327,985	$ 566,248
Balance before Interest and Other Deductions	$ 1,358,256	$ 867,844	$ 6,239,470	$ 5,244,238
Interest and Other Deductions	342	4,528	4,717	123,221
Balance	$ 1,357,914	$ 863,316	$ 6,234,753	$ 5,121,017
Federal Income Tax	6,899	22,185	49,099	41,411
Balance Carried to Consolidated Earned Surplus	$ 1,351,015	$ 841,131	$ 6,185,654	$ 5,079,606

*Net credit after adjustment of $51,875 overprovision for Federal capital stock tax applicable to the six months ended June 30, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of June 1943 and 1942

	1943	1942
Operating Revenues	$7,161,024	$7,369,014
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,589,168	$3,442,429
Direct Taxes:		
Federal	961,360	1,307,545
Other	436,156	478,583
Property Retirement Reserve Appropriations	565,061	543,527
Total Operating Revenue Deductions	$5,551,745	$5,772,084
Net Operating Revenues	$1,609,279	$1,596,930

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

An application, dated August 2, 1943, is pending with the Securities and Exchange Commission for approval, among other things, of the surrender of 16,806 shares of $7 preferred stock of Carolina Power & Light Company, 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina by National Power & Light Company.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942. The operations of West Tennessee after June 30, 1942, are not included in the accompanying statement of consolidated income.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approxi-

mated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum. In its Order dated December 15, 1942, the Commission directed that Carolina Power & Light Company shall not declare or pay any dividends on its common stock except after fifteen (15) days' advance notice to the Commission.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended June 30		Twelve Months Ended June 30	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$549,999.56
Pennsylvania Power & Light Company	$75,163.00	$46,976.88	$375,815.00	366,419.63
Total	$75,163.00	$46,976.88	$375,815.00	$916,419.19

5. Investment securities and advances are stated on the basis of the Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

6. Investment securities and advances include $35,000 principal amount of county and municipal securities, which are pledged under Lancaster County Railway and Light Company collateral trust mortgage gold bonds.

7. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

8. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $566,000 for taxes based upon income would have been required for the twelve months ended June 30, 1942.

9. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statements of consolidated income, the Federal taxes for the twelve months ended June 30, 1943 would have been approximately $550,000 more than shown, and for the twelve months, three months and one month ended June 30, 1942 would have been approximately $550,000, $269,000 and $110,000, respectively, less than shown.

10. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

National Power & Light Company,
2 Rector Street,
New York 6.

We have examined the balance sheet of National Power & Light Company as of June 30, 1943 and the related statement of income for the three-month and twelve-month periods ended June 30, 1943 and 1942 and summary of earned surplus for the twelve months ended June 30, 1943, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations since January 1, 1924.

We have also examined the statement of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended June 30, 1943 and 1942 and statement of consolidated operating income of subsidiaries for the month of June 1943 and 1942. While we have not examined the accounts of the subsidiaries for the six months ended June 30, 1943 we have previously examined them (with minor exceptions) annually from January 1, 1932 to December 31, 1942 and have reviewed their reports for the six months ended June 30, 1943 and compared the figures used in the preparation of the consolidated statements with the records of the parent company and with such reports.

The accounts of the companies are subject to the effect, not now determinable, of final determination of controversial questions pending before regulatory authorities referred to in notes to financial statements. The consolidated statements reflect generally property retirement reserve appropriations rather than provisions for depreciation based on estimated useful life of depreciable property. We are not in a position to express an opinion as to the adequacy of the companies' property retirement reserve appropriations. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company fairly present the financial condition of that company at June 30, 1943 and the results of its operations for the three-month and twelve-month periods ended June 30, 1943 and 1942, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year. As to the statements of consolidated income, which are also subject to the comments in the preceding paragraph, they have, in our opinion, based on the examinations outlined in the second paragraph, been properly compiled.

Haskins & Sells
Certified Public Accountants

New York,
August 13, 1943.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

July 31, 1943

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended July 31		Twelve Months Ended July 31	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$109,703	$438,139	$ 903,756	$2,763,157
Other	73,180	6,253	472,521	30,009
TOTAL INCOME	$182,883	$444,392	$1,376,277	$2,793,166
EXPENSES:				
Expenses, excluding Taxes	$ 94,247	$ 93,070	$ 350,553	$ 346,529
Taxes, excluding Federal income:				
Federal	1,862	27,072	55,191*	161,463
Other	4,782	7,567	23,578	29,624
TOTAL EXPENSES	$100,891	$127,709	$ 318,940	$ 537,616
NET OPERATING INCOME	$ 81,992	$316,683	$1,057,337	$2,255,550
INTEREST AND OTHER DEDUCTIONS FROM INCOME	325	4,189	3,530	103,502
BALANCE	$ 81,667	$312,494	$1,053,807	$2,152,048
FEDERAL INCOME TAX	3,599	20,527	44,199	28,561
NET INCOME	$ 78,068	$291,967	$1,009,608	$2,123,487

*Net credit after adjustment of $60,521 overprovision for Federal capital stock tax applicable to the seven months ended July 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended July 31, 1943

EARNED SURPLUS, AUGUST 1, 1942 (all restricted as to common dividends, and $5,796,293.26 restricted as to preferred dividends)	$ 7,933,714.61
ADD:	
Net income for the twelve months ended July 31, 1943	1,009,607.88
Excess of estimated amount in capital stock account representing $6 preferred stock reacquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	3,171,342.79
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $67,258.25)	7,656,278.37
Adjustment of prior year Federal capital stock tax	51,875.00
Miscellaneous adjustments	133.74
TOTAL	$19,822,952.39
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	281,949.54
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	57,349.86
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Dividend appropriations—$6 preferred stock	889,071.81
TOTAL	$ 8,291,669.78
EARNED SURPLUS, JULY 31, 1943 (all restricted as to common dividends, and $9,221,316.45 restricted as to preferred dividends)	$11,531,282.61

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended July 31		Twelve Months Ended July 31	
Subsidiaries	1943	1942	1943	1942
Operating Revenues	$21,445,099	$22,283,835	$88,256,718	$89,228,601
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,762,209	$10,569,933	$42,359,291	$43,198,278
Direct Taxes:				
Federal	2,927,510	3,864,280	13,176,381	13,174,292
Other	1,372,024	1,413,496	5,371,215	5,489,878
Property Retirement Reserve Appropriations	1,686,356	1,629,370	6,870,707	6,702,490
Total Operating Revenue Deductions	$16,748,099	$17,477,079	$67,777,594	$68,564,938
Net Operating Revenues	$ 4,697,000	$ 4,806,756	$20,479,124	$20,663,663
Rent from Lease of Plants (Net)	4,758	3,706	19,397	14,257
Operating Income	$ 4,701,758	$ 4,810,462	$20,498,521	$20,677,920
Other Income	$ 42,913	$ 34,066	$ 114,904	$ 120,974
Other Income Deductions	11,703	11,338	47,001	49,219
Other Income (Net)	$ 31,210	$ 22,728	$ 67,903	$ 71,755
Gross Income	$ 4,732,968	$ 4,833,190	$20,566,424	$20,749,675
Interest to Public and Other Deductions	$ 2,110,564	$ 2,388,902	$ 8,772,794	$ 9,540,044
Less Interest charged to Construction	79,936	60,327	319,474	161,073
Net Interest to Public and Other Deductions	$ 2,030,628	$ 2,328,575	$ 8,453,320	$ 9,378,971
Balance	$ 2,702,340	$ 2,504,615	$12,113,104	$11,370,704
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,336,099	1,405,802	5,418,868	5,623,206
Balance	$ 1,366,241	$ 1,098,813	$ 6,694,236	$ 5,747,498
Portion applicable to Minority Interests	2,021	148,884	439,141	250,179
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,364,220	$ 949,929	$ 6,255,095	$ 5,497,319
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,364,220	$ 949,929	$ 6,255,095	$ 5,497,319
Other Income	73,180	6,253	472,521	30,009
Total	$ 1,437,400	$ 956,182	$ 6,727,616	$ 5,527,328
Expenses, excluding Taxes	$ 94,247	$ 93,070	$ 350,553	$ 346,529
Taxes, excluding Federal income:				
Federal	1,862	27,072	55,191*	161,463
Other	4,782	7,567	23,578	29,624
Total Expenses	$ 100,891	$ 127,709	$ 318,940	$ 537,616
Balance before Interest and Other Deductions	$ 1,336,509	$ 828,473	$ 6,408,676	$ 4,989,712
Interest and Other Deductions	325	4,189	3,530	103,502
Balance	$ 1,336,184	$ 824,284	$ 6,405,146	$ 4,886,210
Federal Income Tax	3,599	20,527	44,199	28,561
Balance Carried to Consolidated Earned Surplus	$ 1,332,585	$ 803,757	$ 6,360,947	$ 4,857,649

*Net credit after adjustment of $60,521 overprovision for Federal capital stock tax applicable to the seven months ended July 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of July 1943 and 1942

	1943	1942
Operating Revenues	$7,211,736	$7,601,051
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,583,985	$3,632,088
Direct Taxes:		
Federal	1,032,558	1,337,814
Other	450,020	465,665
Property Retirement Reserve Appropriations	561,241	546,955
Total Operating Revenue Deductions	$5,627,804	$5,982,522
Net Operating Revenues	$1,583,932	$1,618,529

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

An application, dated August 2, 1943, is pending with the Securities and Exchange Commission for approval, among other things, of the surrender of 16,806 shares of $7 preferred stock of Carolina Power & Light Company, 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina by National Power & Light Company.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942. The operations of West Tennessee after June 30, 1942, are not included in the accompanying statement of consolidated income.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum. In its Order dated December 15, 1942, the Commission directed that Carolina Power & Light Company shall not declare or pay any dividends on its common stock except after fifteen (15) days' advance notice to the Commission.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended July 31		Twelve Months Ended July 31	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$549,999.56
Pennsylvania Power & Light Company	$75,163.00	$46,976.88	$375,815.00	366,419.63
Total	$75,163.00	$46,976.88	$375,815.00	$916,419.19

5. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

6. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $471,000 for taxes based upon income would have been required for the twelve months ended July 31, 1942.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statements of consolidated income, the Federal taxes for the twelve months ended July 31, 1943 would have been approximately $668,000 more than shown, and for the twelve months, three months and one month ended July 31, 1942 would have been approximately $668,000, $285,000 and $118.000, respectively, less than shown.

8. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks, held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

August 31, 1943

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended August		Twelve Months Ended August	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$152,211	$378,135	$ 914,220	$2,717,345
Other	381	5,649	471,020	29,205
TOTAL INCOME	$152,592	$383,784	$1,385,240	$2,746,550
EXPENSES:				
Expenses, excluding Taxes	$ 88,234	$ 92,063	$ 342,573	$ 348,804
Taxes, excluding Federal income:				
Federal	1,882	27,052	63,780*	169,045
Other	4,801	7,441	22,716	29,735
TOTAL EXPENSES	$ 94,917	$126,556	$ 301,509	$ 547,584
NET OPERATING INCOME	$ 57,675	$257,228	$1,083,731	$2,198,966
INTEREST AND OTHER DEDUCTIONS FROM INCOME	325	3,675	2,643	83,851
BALANCE	$ 57,350	$253,553	$1,081,088	$2,115,115
FEDERAL INCOME TAX	2,301**	13,527	40,199	19,061
NET INCOME	$ 59,651	$240,026	$1,040,889	$2,096,054

*Net credit after adjustment of $69,167 overprovision for Federal capital stock tax applicable to the eight months ended August 31, 1942.

**Denotes red figure.

Summary of Earned Surplus

For the Twelve Months Ended August 31, 1943

EARNED SURPLUS, SEPTEMBER 1, 1942 (all restricted as to common dividends, and $6,293,191.71 restricted as to preferred dividends)	$ 8,487,434.45
ADD:	
Net income for the twelve months ended August 31, 1943	1,040,888.86
Excess of estimated amount in capital stock account representing $6 preferred stock re-acquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	2,661,253.09
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $67,258.25)	7,656,278.37
Adjustment of prior year Federal capital stock tax	51,875.00
Miscellaneous adjustments	133.74
TOTAL	$19,897,863.51
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	289,646.40
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	44,158.61
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Dividend appropriations—$6 preferred stock	887,290.88
TOTAL	$ 8,284,394.46
EARNED SURPLUS, AUGUST 31, 1943 (all restricted as to common dividends, and $9,213,619.59 restricted as to preferred dividends)	$11,613,469.05

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended August 31 1943	Three Months Ended August 31 1942	Twelve Months Ended August 31 1943	Twelve Months Ended August 31 1942
Operating Revenues	$21,706,313	$22,992,125	$87,587,280	$89,954,966
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,841,595	$10,830,673	$42,286,524	$43,364,224
Direct Taxes:				
Federal	3,046,554	4,147,754	12,725,579	13,977,028
Other	1,348,960	1,458,937	5,321,193	5,528,543
Property Retirement Reserve Appropriations	1,687,743	1,640,088	6,883,752	6,638,206
Total Operating Revenue Deductions	$16,924,852	$18,077,452	$67,217,048	$69,508,001
Net Operating Revenues	$ 4,781,461	$ 4,914,673	$20,370,232	$20,446,965
Rent from Lease of Plants (Net)	4,767	4,133	19,430	15,353
Operating Income	$ 4,786,228	$ 4,918,806	$20,389,662	$20,462,318
Other Income	$ 42,761	$ 34,992	$ 116,928	$ 119,246
Other Income Deductions	12,436	10,894	47,649	48,002
Other Income (Net)	$ 30,325	$ 24,098	$ 69,279	$ 71,244
Gross Income	$ 4,816,553	$ 4,942,904	$20,458,941	$20,533,562
Interest to Public and Other Deductions	$ 2,114,577	$ 2,381,560	$ 8,695,625	$ 9,540,508
Less Interest charged to Construction	77,370	61,370	321,073	175,620
Net Interest to Public and Other Deductions	$ 2,037,207	$ 2,320,190	$ 8,374,552	$ 9,364,888
Balance	$ 2,779,346	$ 2,622,714	$12,084,389	$11,168,674
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,335,785	1,405,802	5,395,623	5,623,206
Balance	$ 1,443,561	$ 1,216,912	$ 6,688,766	$ 5,545,468
Portion applicable to Minority Interests	1,771	187,825	354,690	343,740
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,441,790	$ 1,029,087	$ 6,334,076	$ 5,201,728
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,441,790	$ 1,029,087	$ 6,334,076	$ 5,201,728
Other Income	381	5,649	471,020	29,205
Total	$ 1,442,171	$ 1,034,736	$ 6,805,096	$ 5,230,933
Expenses, excluding Taxes	$ 88,234	$ 92,063	$ 342,573	$ 348,804
Taxes, excluding Federal income:				
Federal	1,882	27,052	63,780*	169,045
Other	4,801	7,441	22,716	29,735
Total Expenses	$ 94,917	$ 126,556	$ 301,509	$ 547,584
Balance before Interest and Other Deductions	$ 1,347,254	$ 908,180	$ 6,503,587	$ 4,683,349
Interest and Other Deductions	325	3,675	2,643	83,851
Balance	$ 1,346,929	$ 904,505	$ 6,500,944	$ 4,599,498
Federal Income Tax	2,301**	13,527	40,199	19,061
Balance Carried to Consolidated Earned Surplus	$ 1,349,230	$ 890,978	$ 6,460,745	$ 4,580,437

*Net credit after adjustment of $69,167 overprovision for Federal capital stock tax applicable to the eight months ended August 31, 1942.

**Denotes red figure.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of August 1943 and 1942

	1943	1942
Operating Revenues	$7,333,553	$8,022,061
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,668,442	$3,756,158
Direct Taxes:		
Federal	1,052,635	1,502,396
Other	462,785	514,688
Property Retirement Reserve Appropriations	561,441	549,606
Total Operating Revenue Deductions	$5,745,303	$6,322,848
Net Operating Revenues	$1,588,250	$1,699,213

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

An application, dated August 2, 1943, is pending with the Securities and Exchange Commission for approval, among other things, of the surrender of 16,806 shares of $7 preferred stock of Carolina Power & Light Company, 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina by National Power & Light Company.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942. The operations of West Tennessee after June 30, 1942, are not included in the accompanying statement of consolidated income.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum. In its Order dated December 15, 1942, the Commission directed that Carolina Power & Light Company shall not declare or pay any dividends on its common stock except after fifteen (15) days' advance notice to the Commission.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended August 31		Twelve Months Ended August 31	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$549,999.56
Pennsylvania Power & Light Company	$112,744.50	None	$488,559.50	366,419.63
Total	$112,744.50	None	$488,559.50	$916,419.19

5. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

6. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $376,000 for taxes based upon income would have been required for the twelve months ended August 31, 1942.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statements of consolidated income, the Federal taxes for the twelve months ended August 31, 1943 would have been approximately $856,000 more than shown, and for the twelve months, three months and one month ended August 31, 1942 would have been approximately $856,000, $416,000 and $187,000, respectively, less than shown.

8. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks, held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

September 30, 1943

The information furnished is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Two Rector Street, New York 6

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

September 30, 1943

Assets

Investment Securities and Advances—Subsidiaries and Minor Other Investments....		$118,009,518.07
Current Assets:		
Cash in Banks—On Demand	$ 911,073.29	
Special Cash Deposits	524,220.91	
Accrued Interest Receivable	275.00	
Dividends Receivable—Subsidiaries—Consolidated	29,410.50	
Other Current Assets	750.00	
Total Current Assets		1,465,729.70
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 2,122.41	
Other	4,418.67	
Total Deferred Charges		6,541.08
Reacquired Capital Stock (1,048 Shares $6 Preferred Stock)		102,592.09
Total		$119,584,380.94

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		$ 99,734,105.71
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 233,332 shares; outstanding, 13,048 shares		
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		
Long-Term Debt:		
Lancaster County Railway and Light Company, Fifty-Year Five Per Cent. Collateral Trust Mortgage Gold Bonds, due July 1, 1951 (less $975,000 principal amount reacquired, of which $973,500 are pledged under this issue)		25,000.00
Current Liabilities:		
Accounts Payable:		
Associate Companies	$ 605.35	
Others	30,774.55	
Accrued Interest	1,615.00	
Preferred Dividend Declared, Payable November 1, 1943	18,000.00	
Accrued Taxes	71,910.49	
Liquidation Account—Tennessee Public Service Company	328,827.53	
Long-Term Debt Called for Redemption, Including Premium and Interest (Cash in Special Deposits)	197,859.91	
$6 Preferred Stock Drawn for Retirement on June 16, 1943, Including Accumulated Dividends (Cash in Special Deposits)	325,221.00	
Total Current Liabilities		974,813.83
Reserve for Losses or Adjustments With Respect to Capital Assets		6,995,941.01
Reserve (appropriated from Capital Surplus)		281,378.26
Earned Surplus (all restricted as to common dividends, and $9,211,573.25 restricted as to preferred dividends)		11,573,142.13
Total		$119,584,380.94

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended September 30		Twelve Months Ended September 30	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$ 147,082	$ 354,656	$ 810,627	$2,563,708
Other	381	4,415	470,329	27,768
TOTAL INCOME	$ 147,463	$ 359,071	$1,280,956	$2,591,476
EXPENSES:				
Expenses, excluding Taxes	$ 94,649	$ 94,456	$ 349,673	$ 334,190
Taxes, excluding Federal income:				
Federal	644	27,048*	72,381**	176,562*
Other	4,729	7,410	21,802	29,831
TOTAL EXPENSES	$ 100,022	$ 128,914	$ 299,094	$ 540,583
NET OPERATING INCOME	$ 47,441	$ 230,157	$ 981,862	$2,050,893
INTEREST AND OTHER DEDUCTIONS FROM INCOME	321	2,889	2,149	66,562
BALANCE	$ 47,120	$ 227,268	$ 979,713	$1,984,331
FEDERAL INCOME TAX	.....	9,800	39,299	19,961
NET INCOME	$ 47.120	$ 217,468	$ 940,414	$1,964,370

*Includes overprovisions for Federal capital stock tax of approximately $26,500 and $172,000 for the three months and twelve months ended September 30, 1942, respectively.

**Net credit after adjustment of the overprovision mentioned in the preceding note applicable to the nine months ended September 30, 1942 in the amount of $77,812.

Summary of Earned Surplus

For the Twelve Months Ended September 30, 1943

EARNED SURPLUS, OCTOBER 1, 1942 (including $4,724,695.14 appropriated in December 1942 to reserve for losses or adjustments with respect to capital assets. All remaining earned surplus restricted as to common dividends and $1,877,113.58 restricted as to preferred dividends)	$ 8,580,770.53
ADD:	
Net income for the twelve months ended September 30, 1943	940,414.33
Excess of estimated amount in capital stock account representing $6 preferred stock reacquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	2,328,603.58
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $68,658.25)	7,654,878.37
Adjustment of prior year Federal capital stock tax	51,875.00
Miscellaneous adjustments	133.74
TOTAL	$19,556,675.55
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	289,646.40
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	20,351.11
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Miscellaneous adjustments	421.34
Dividend appropriations—$6 preferred stock	609,816.00
TOTAL	$ 7,983,533.42
EARNED SURPLUS, SEPTEMBER 30, 1943 (all restricted as to common dividends, and $9,211,573.25 restricted as to preferred dividends)	$11,573,142.13

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended September 30		Twelve Months Ended September 30	
	1943	1942	1943	1942
Subsidiaries				
Operating Revenues	$22,121,884	$23,604,523	$87,203,055	$90,613,576
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$11,172,115	$11,043,619	$42,566,214	$43,459,440
Direct Taxes:				
Federal	3,172,265	4,336,138	12,315,946	14,640,482
Other	1,371,388	1,461,101	5,301,538	5,541,737
Property Retirement Reserve Appropriations	1,680,535	1,648,303	6,891,076	6,541,346
Total Operating Revenue Deductions	$17,396,303	$18,489,161	$67,074,774	$70,183,005
Net Operating Revenues	$ 4,725,581	$ 5,115,362	$20,128,281	$20,430,571
Rent from Lease of Plants (Net)	6,956	4,166	21,595	16,015
Operating Income	$ 4,732,537	$ 5,119,528	$20,149,876	$20,446,586
Other Income	$ 36,388	$ 28,894	$ 120,304	$ 119,917
Other Income Deductions	10,867	10,084	47,798	47,352
Other Income (Net)	$ 25,521	$ 18,810	$ 72,506	$ 72,565
Gross Income	$ 4,758,058	$ 5,138,338	$20,222,382	$20,519,151
Interest to Public and Other Deductions	$ 2,111,955	$ 2,377,993	$ 8,610,608	$ 9,540,097
Less Interest charged to Construction	51,680	74,423	287,418	201,442
Net Interest to Public and Other Deductions	$ 2,060,275	$ 2,303,570	$ 8,323,190	$ 9,338,655
Balance	$ 2,697,783	$ 2,834,768	$11,899,192	$11,180,496
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,335,530	1,405,802	5,372,435	5,623,206
Balance	$ 1,362,253	$ 1,428,966	$ 6,526,757	$ 5,557,290
Portion applicable to Minority Interests	1,186	224,344	262,190	390,604
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,361,067	$ 1,204,622	$ 6,264,567	$ 5,166,686
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,361,067	$ 1,204,622	$ 6,264,567	$ 5,166,686
Other Income	381	4,415	470,329	27,768
Total	$ 1,361,448	$ 1,209,037	$ 6,734,896	$ 5,194,454
Expenses, excluding Taxes	$ 94,649	$ 94,456	$ 349,673	$ 334,190
Taxes, excluding Federal income:				
Federal	644	27,048*	72,381**	176,562*
Other	4,729	7,410	21,802	29,831
Total Expenses	$ 100,022	$ 128,914	$ 299,094	$ 540,583
Balance	$ 1,261,426	$ 1,080,123	$ 6,435,802	$ 4,653,871
Interest and Other Deductions	321	2,889	2,149	66,562
Balance	$ 1,261,105	$ 1,077,234	$ 6,433,653	$ 4,587,309
Federal Income Tax	.....	9,800	39,299	19,961
Balance Carried to Consolidated Earned Surplus	$ 1,261,105	$ 1,067,434	$ 6,394,354	$ 4,567,348

*Includes overprovisions for Federal capital stock tax of approximately $26,500 and $172,000 for the three months and twelve months ended September 30, 1942, respectively.

**Net credit after adjustment of the overprovision mentioned in the preceding note applicable to the nine months ended September 30, 1942 in the amount of $77,812.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of September 1943 and 1942

	1943	1942
Operating Revenues	$7,576,594	$7,981,411
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,919,687	$3,655,374
Direct Taxes:		
Federal	1,087,071	1,495,928
Other	458,584	480,748
Property Retirement Reserve Appropriations	557,853	551,742
Total Operating Revenue Deductions	$6,023,195	$6,183,792
Net Operating Revenues	$1,553,399	$1,797,619

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

An application, dated August 2, 1943, pending before the Securities and Exchange Commission, contemplates, among other things, the surrender of 16,806 shares of $7 preferred stock of Carolina Power & Light Company and 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina by National Power & Light Company and also the surrender by National to Carolina of 148,041 shares of common stock of Carolina for cancellation.

National Power & Light Company and its subsidiary, Birmingham Electric Company, contemplate, among other things, (1) the surrender by National to Birmingham of (a) the former's right to receive from the latter certain junior securities in the amount of $2,384,540 and (b) 800,000 shares of common stock of Birmingham in exchange for 545,610 shares of said stock (with no change in the ledger value of National's investment in Birmingham), and (2) adjustments by Birmingham substantially affecting its plant, capital stock, surplus and other accounts.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calcu-

lated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum. In its Order dated December 15, 1942, the Commission directed that Carolina Power & Light Company shall not declare or pay any dividends on its common stock except after fifteen (15) days' advance notice to the Commission.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended September 30		Twelve Months Ended September 30	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$449,999.64
Pennsylvania Power & Light Company	$112,744.50	None	$488,559.50	366,419.63
Total	$112,744.50	None	$488,559.50	$816,419.27

5. Investment securities and advances are stated on the basis of the Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

6. Investment securities and advances include $35,000 principal amount of county and municipal securities, which are pledged under Lancaster County Railway and Light Company collateral trust mortgage gold bonds.

7. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

8. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $281,000 for taxes based upon income would have been required for the twelve months ended September 30, 1942.

9. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying consolidated statements, the Federal taxes for the twelve months ended September 30, 1943 would have been approximately $1,000,000 more than shown, and for the twelve months, three months and one month ended September 30, 1942 would have been approximately $1,000,000, $450,000 and $140,000, respectively, less than shown.

10. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

Accountants' Certificate

National Power & Light Company,
2 Rector Street,
New York 6.

We have examined the balance sheet of National Power & Light Company as of September 30, 1943 and the related statement of income for the three-month and twelve-month periods ended September 30, 1943 and 1942 and summary of earned surplus for the twelve months ended September 30, 1943, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations since January 1, 1924.

We have also examined the statement of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended September 30, 1943 and 1942 and statement of consolidated operating income of subsidiaries for the month of September 1943 and 1942. While we have not examined the accounts of the subsidiaries for the nine months ended September 30, 1943 we have previously examined them (with minor exceptions) annually from January 1, 1932 to December 31, 1942 and have reviewed their reports for the nine months ended September 30, 1943 and compared the figures used in the preparation of the consolidated statements with the records of the parent company and with such reports.

The accounts of the companies are subject to the effect, not now determinable, of final determination of controversial questions pending before regulatory authorities referred to in notes to financial statements. The consolidated statements reflect generally property retirement reserve appropriations rather than provisions for depreciation based on estimated useful life of depreciable property. We are not in a position to express an opinion as to the adequacy of the companies' property retirement reserve appropriations. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company fairly present the financial condition of that company at September 30, 1943 and the results of its operations for the three-month and twelve-month periods ended September 30, 1943 and 1942, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year. As to the statements of consolidated income, which are also subject to the comments in the preceding paragraph, they have, in our opinion, based on the examinations outlined in the second paragraph, been properly compiled.

Haskins & Sells
Certified Public Accountants

New York,
November 12, 1943.

Printed in U. S. A.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

October 31, 1943

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended October 31		Twelve Months Ended October 31	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$147,082	$336,046	$ 714,792	$2,506,523
Other	381	3,595	469,307	26,664
TOTAL INCOME	$147,463	$339,641	$1,184,099	$2,533,187
EXPENSES:				
Expenses, excluding Taxes	$ 90,658	$ 92,477	$ 348,734	$ 323,741
Taxes, excluding Federal income:				
Federal	1,262	7,558*	46,373*	88,865**
Other	4,666	7,362	20,884	29,909
TOTAL EXPENSES	$ 96,586	$ 92,281	$ 323,245	$ 442,515
NET OPERATING INCOME	$ 50,877	$247,360	$ 860,854	$2,090,672
INTEREST AND OTHER DEDUCTIONS FROM INCOME	328	2,090	1,768	56,345
BALANCE	$ 50,549	$245,270	$ 859,086	$2,034,327
FEDERAL INCOME TAX	.....	4,900	39,299	19,961
NET INCOME	$ 50,549	$240,370	$ 819,787	$2,014,366

*Net credit after adjustment of the overprovisions for Federal capital stock tax applicable to the nine months ended September 30, 1942 of approximately $8,600 in the three months ended October 31, 1942 and $52,000 in the twelve months ended October 31, 1943.

**Includes overprovision for Federal capital stock tax of approximately $84,000 for the twelve months ended October 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended October 31, 1943

EARNED SURPLUS, NOVEMBER 1, 1942 (including $5,449,011.53 appropriated in December 1942 to reserve for losses or adjustments with respect to capital assets. All remaining earned surplus restricted as to common dividends and $1,871,243.58 restricted as to preferred dividends)	$ 9,457,293.44
ADD:	
Net income for the twelve months ended October 31, 1943	819,787.33
Excess of estimated amount in capital stock account representing $6 preferred stock reacquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	1,604,287.19
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $68,658.25)	7,654,878.37
Miscellaneous adjustments	133.40
TOTAL	$19,536,379.73
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	289,646.40
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	14,481.11
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Miscellaneous Adjustments	421.34
Dividend appropriations—$6 preferred stock	614,443.74
TOTAL	$ 7,982,291.16
EARNED SURPLUS, OCTOBER 31, 1943 (all restricted as to common dividends, and $9,211,573.25 restricted as to preferred dividends)	$11,554,088.57

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended October 31 1943	Three Months Ended October 31 1942	Twelve Months Ended October 31 1943	Twelve Months Ended October 31 1942
Operating Revenues	$22,562,655	$24,118,020	$86,771,041	$91,385,272
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$11,767,633	$11,235,380	$42,941,885	$43,512,715
Direct Taxes:				
Federal	3,073,955	3,913,875	12,328,805	14,787,646
Other	1,312,649	1,424,575	5,266,556	5,573,544
Property Retirement Reserve Appropriations	1,673,610	1,669,092	6,878,861	6,555,839
Total Operating Revenue Deductions	$17,827,847	$18,242,922	$67,416,107	$70,429,744
Net Operating Revenues	$ 4,734,808	$ 5,875,098	$19,354,934	$20,955,528
Rent from Lease of Plants (Net)	6,350	4,548	21,200	17,271
Operating Income	$ 4,741,158	$ 5,879,646	$19,376,134	$20,972,799
Other Income	$ 31,451	$ 25,011	$ 121,345	$ 118,369
Other Income Deductions	9,248	8,907	47,343	47,117
Other Income (Net)	$ 22,203	$ 16,104	$ 74,002	$ 71,252
Gross Income	$ 4,763,361	$ 5,895,750	$19,450,136	$21,044,051
Interest to Public and Other Deductions	$ 2,122,405	$ 2,385,525	$ 8,518,711	$ 9,543,758
Less Interest charged to Construction	25,852	84,354	260,972	220,835
Net Interest to Public and Other Deductions	$ 2,096,553	$ 2,301,171	$ 8,257,739	$ 9,322,923
Balance	$ 2,666,808	$ 3,594,579	$11,192,397	$11,721,128
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,335,581	1,405,802	5,349,246	5,623,206
Balance	$ 1,331,227	$ 2,188,777	$ 5,843,151	$ 6,097,922
Portion applicable to Minority Interests	746	304,134	130,189	525,920
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,330,481	$ 1,884,643	$ 5,712,962	$ 5,572,002
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,330,481	$ 1,884,643	$ 5,712,962	$ 5,572,002
Other Income	381	3,595	469,307	26,664
Total	$ 1,330,862	$ 1,888,238	$ 6,182,269	$ 5,598,666
Expenses, excluding Taxes	$ 90,658	$ 92,477	$ 348,734	$ 323,741
Taxes, excluding Federal income:				
Federal	1,262	7,558*	46,373*	88,865**
Other	4,666	7,362	20,884	29,909
Total Expenses	$ 96,586	$ 92,281	$ 323,245	$ 442,515
Balance before Interest and Other Deductions	$ 1,234,276	$ 1,795,957	$ 5,859,024	$ 5,156,151
Interest and Other Deductions	328	2,090	1,768	56,345
Balance	$ 1,233,948	$ 1,793,867	$ 5,857,256	$ 5,099,806
Federal Income Tax	.....	4,900	39,299	19,961
Balance Carried to Consolidated Earned Surplus	$ 1,233,948	$ 1,788,967	$ 5,817,957	$ 5,079,845

*Net credit after adjustment of the overprovisions for Federal capital stock tax applicable to the nine months ended September 30, 1942, of approximately $8,600 in the three months ended October 31, 1942 and $52,000 in the twelve months ended October 31, 1943.

**Includes overprovision for Federal capital stock tax of approximately $84,000 for the twelve months ended October 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of October 1943 and 1942

	1943	1942
Operating Revenues	$7,652,508	$8,114,548
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$4,179,504	$3,823,849
Direct Taxes:		
Federal	934,248	915,552
Other	391,281	429,138
Property Retirement Reserve Appropriations	554,316	567,744
Total Operating Revenue Deductions	$6,059,349	$5,736,283
Net Operating Revenues	$1,593,159	$2,378,265

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

In an Order dated December 10, 1943, the Securities and Exchange Commission approved the surrender of 16,806 shares of $7 preferred stock of Carolina Power & Light Company and the transfer of 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina by National Power & Light Company and also the surrender by National to Carolina of 148,041 shares of common stock of Carolina for cancellation. These transactions will not change the Investment Account of National, however the ledger value of National's investment in Carolina will be increased by $1,575,500 which is the ledger value of National's investment in Roanoke to be transferred to Carolina.

National Power & Light Company and its subsidiary, Birmingham Electric Company, contemplate, among other things, (1) the surrender by National to Birmingham of (a) the former's right to receive from the latter certain junior securities in the amount amount of $2,384,540 and (b) 800,000 shares of common stock of Birmingham in exchange for 545,610 shares of said stock (with no change in the ledger value of National's investment in Birmingham), and (2) adjustments by Birmingham substantially affecting its plant, capital stock, surplus and other accounts.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended October 31		Twelve Months Ended October 31	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$449,999.64
Pennsylvania Power & Light Company	$112,744.50	None	$488,559.50	366,419.63
Total	$112,744.50	None	$488,559.50	$816,419.27

5. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

6. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $186,000 for taxes based upon income would have been required for the twelve months ended October 31, 1942.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statements of consolidated income, the Federal taxes for the twelve months ended October 31, 1942 would have been approximately $560,000 less than shown, and for the twelve months, three months and one month ended October 31, 1943 would have been approximately $560,000, $100,000 and $430,000, respectively, more than shown.

8. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks, held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

November 30, 1943

The information furnished, which is subject to periodic audit, is given in response to your request for information concerning the Company and not in connection with any sale or offer for sale of, or solicitation of an offer to buy, any securities.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended November 30		Twelve Months Ended November 30	
	1943	1942	1943	1942
INCOME:				
From Subsidiaries—Consolidated	$ 35,569	$321,000	$ 628,789	$2,445,764
Other	381	2,520	468,881	23,317
TOTAL INCOME	$ 35,950	$323,520	$1,097,670	$2,469,081
EXPENSES:				
Expenses, excluding Taxes	$ 80,247	$ 77,395	$ 345,426	$ 319,810
Taxes, excluding Federal income:				
Federal	1,244	42,149*	20,393*	46,700**
Other	4,579	7,314	19,987	29,994
TOTAL EXPENSES	$ 86,070	$ 42,560	$ 345,020	$ 396,504
NET OPERATING INCOME	$ 50,120†	$280,960	$ 752,650	$2,072,577
INTEREST AND OTHER DEDUCTIONS FROM INCOME	324	1,436	1,531	46,569
BALANCE	$ 50,444†	$279,524	$ 751,119	$2,026,008
FEDERAL INCOME TAX	.....	900	39,299	19,961
NET INCOME	$ 50,444†	$278,624	$ 711,820	$2,006,047

*Net credit after adjustment of the overprovisions for Federal capital stock tax applicable to the nine months ended September 30, 1942 of approximately $43,300 in the three months ended November 30, 1942 and $25,500 in the twelve months ended November 30, 1943.

**Includes overprovision for Federal capital stock tax of approximately $42,000 for the twelve months ended November 30, 1942.

†Indicates red figure.

Summary of Earned Surplus

For the Twelve Months Ended November 30, 1943

EARNED SURPLUS, DECEMBER 1, 1942 (including $5,660,450.27 appropriated in December 1942 to reserve for losses or adjustments with respect to capital assets. All remaining earned surplus restricted as to common dividends and $1,868,892.47 restricted as to preferred dividends)	$ 9,762,308.52
ADD:	
Net income for the twelve months ended November 30, 1943	711,819.97
Excess of estimated amount in capital stock account representing $6 preferred stock reacquired over cost of Houston Lighting & Power Company common stock delivered in exchange therefor—less expenses applicable thereto (included in amount transferred as of December 31, 1942 to reserve for losses or adjustments with respect to capital assets)	1,392,848.45
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $68,658.25)	7,654,878.37
Miscellaneous adjustments	133.40
TOTAL	$19,521,988.71
DEDUCT:	
Transferred to reserve for losses or adjustments with respect to capital assets	$ 7,053,298.72
Premium on 138,000 shares $6 preferred stock drawn for retirement on June 16, 1943 (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	289,646.40
Premium on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds reacquired	12,130.00
Additional loss from liquidation of Memphis Power & Light Company	9,414.29
Additional loss from liquidation of South Texas Utilities Company	585.56
Miscellaneous Adjustments	421.34
Dividend appropriations—$6 preferred stock	613,513.44
TOTAL	$ 7,979,009.75
EARNED SURPLUS, NOVEMBER 30, 1943 (all restricted as to common dividends, and $9,211,573.25 restricted as to preferred dividends)	$11,542,978.96

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended November 30 1943	Three Months Ended November 30 1942	Twelve Months Ended November 30 1943	Twelve Months Ended November 30 1942
Operating Revenues	$23,000,142	$24,349,020	$86,329,725	$92,103,741
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$12,189,675	$11,396,588	$43,141,060	$43,730,120
Direct Taxes:				
Federal	3,077,610	3,454,882	12,374,870	15,077,350
Other	1,245,037	1,315,365	5,228,488	5,351,753
Property Retirement Reserve Appropriations	1,666,296	1,859,022	6,694,665	6,799,257
Total Operating Revenue Deductions	$18,178,618	$18,025,857	$67,439,083	$70,958,480
Net Operating Revenues	$ 4,821,524	$ 6,323,163	$18,890,642	$21,145,261
Rent from Lease of Plants (Net)	6,266	4,989	20,708	18,476
Operating Income	$ 4,827,790	$ 6,328,152	$18,911,350	$21,163,737
Other Income	$ 36,109	$ 23,491	$ 129,545	$ 117,140
Other Income Deductions	8,124	8,535	47,238	46,644
Other Income (Net)	$ 27,985	$ 14,956	$ 82,307	$ 70,496
Gross Income	$ 4,855,775	$ 6,343,108	$18,993,657	$21,234,233
Interest to Public and Other Deductions	$ 2,112,583	$ 2,389,211	$ 8,427,939	$ 9,545,841
Less Interest charged to Construction	2,827	84,971	238,929	235,025
Net Interest to Public and Other Deductions	$ 2,109,756	$ 2,304,240	$ 8,189,010	$ 9,310,816
Balance	$ 2,746,019	$ 4,038,868	$10,804,647	$11,923,417
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,335,632	1,405,802	5,325,983	5,623,206
Balance	$ 1,410,387	$ 2,633,066	$ 5,478,664	$ 6,300,211
Portion applicable to Minority Interests	253	349,110	6,143	641,547
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,410,134	$ 2,283,956	$ 5,472,521	$ 5,658,664
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,410,134	$ 2,283,956	$ 5,472,521	$ 5,658,664
Other Income	381	2,520	468,881	23,317
Total	$ 1,410,515	$ 2,286,476	$ 5,941,402	$ 5,681,981
Expenses, excluding Taxes	$ 80,247	$ 77,395	$ 345,426	$ 319,810
Taxes, excluding Federal income:				
Federal	1,244	42,149*	20,393*	46,700**
Other	4,579	7,314	19,987	29,994
Total Expenses	$ 86,070	$ 42,560	$ 345,020	$ 396,504
Balance	$ 1,324,445	$ 2,243,916	$ 5,596,382	$ 5,285,477
Interest and Other Deductions	324	1,436	1,531	46,569
Balance	$ 1,324,121	$ 2,242,480	$ 5,594,851	$ 5,238,908
Federal Income Tax	.....	900	39,299	19,961
Balance Carried to Consolidated Earned Surplus	$ 1,324,121	$ 2,241,580	$ 5,555,552	$ 5,218,947

*Net credit after adjustment of the overprovisions for Federal capital stock tax applicable to the nine months ended September 30, 1942, of approximately $43,300 in the three months ended November 30, 1942 and $25,500 in the twelve months ended November 30, 1943.

**Includes overprovision for Federal capital stock tax of approximately $42,000 for the twelve months ended November 30, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

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Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of November 1943 and 1942

	1943	1942
Operating Revenues	$7,771,040	$8,253,061
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$4,090,484	$3,917,367
Direct Taxes:		
Federal	1,056,290	1,043,402
Other	395,173	405,478
Property Retirement Reserve Appropriations	554,127	739,536
Total Operating Revenue Deductions	$6,096,074	$6,105,783
Net Operating Revenues	$1,674,966	$2,147,278

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order.

Pursuant to the terms of the above order, the officers of the Company submitted on October 13, 1941 to the Commission, a tentative plan for the dissolution of the Company. On May 12, 1942, a plan was filed with the Commission bringing down to date and modifying the tentative plan. This plan has not as yet been approved or disapproved by the Commission. Said plan, which is subject to amendment, has been amended in certain respects pursuant to the terms of the Order of the Commission dated November 9, 1942, extending the time for compliance with the Order of August 23, 1941.

In accordance with the tentative plan and with the approval of stockholders, voted at a special meeting held January 28, 1942, 257,336 shares of Houston Lighting & Power Company common stock were delivered by National Power & Light Company in exchange for 128,668 shares of its $6 preferred stock. The preferred stock thus acquired was retired and cancelled reducing capital stock account $12,595,724.72 or at the rate of $97.89+ per share, the average estimated amount included in the capital stock account in respect of each share of the $6 preferred stock.

The sale of the remaining 242,664 shares of common stock of Houston was consummated on May 14, 1943 and yielded $12,582,128.40 in cash to the Company. The proceeds and other funds of the Company were used to provide for retirement of 138,000 shares of its $6 preferred stock at $100 and accumulated dividends, such retirement being in accordance with terms of an application approved by the Securities and Exchange Commission and with approval of stockholders at their annual meeting, June 3, 1943. Pursuant to the terms of an application appproved by the Securities and Exchange Commission and as authorized by the stockholders at a special meeting on January 18, 1944, the Company will decrease capital stock and capital by the retirement on January 31, 1944, of the remaining 13,048 shares of $6 preferred stock, 1,048 of said shares being held in the treasury of the Company as reacquired securities.

In December 1942, the voting control of National in Houston became less than 50%. Operations of Houston after November 30, 1942 are not included in the accompanying statement of consolidated income.

With the approval of the Securities and Exchange Commission, contained in an Order dated December 10, 1943, the Company on December 31, 1943, surrendered 16,806 shares of $7 preferred stock of Carolina Power & Light Company and transferred 5 shares (entire issue) of capital stock and an income note in the principal amount of $1,575,000 of Roanoke River Power Company, as a gratuitous contribution to the capital of Carolina and also surrendered to Carolina 148,041 shares of common stock of Carolina for cancellation. These transactions did not change the Investment Account of National, however the ledger value of National's investment in Carolina was increased by $1,575,500 which was the ledger value of National's investment in Roanoke transferred to Carolina.

National Power & Light Company and its subsidiary Birmingham Electric Company, contemplate, among other things, (1) the surrender by National to Birmingham of (a) the former's right to receive from the latter certain junior securities in the amount of $2,384,540 and (b) 800,000 shares of common stock of Birmingham in exchange for 545,610 shares of said stock (with no change in the ledger value of National's investment in Birmingham), and (2) adjustments by Birmingham substantially affecting its plant, capital stock, surplus and other accounts.

In accordance with the terms of a declaration or application of the Company, which became effective pursuant to the Order of the Securities and Exchange Commission dated March 26, 1943, the Company disposed of its investment in West Tennessee Gas Company, a wholly-owned subsidiary, to a non-affiliated interest, on April 2, 1943, as of June 30, 1942.

2. It has been the general practice of the operating subsidiaries to provide for retirements of property by making such provisions from current income as are considered by the managements necessary to provide for retirements when they occur, such provisions being in addition to expenditures included in operating expenses to maintain the properties in condition to render adequate service. The provisions made for retirements of property do not purport to be calculated on the basis of estimated lives of the individual units of depreciable property. However, a major subsidiary has indicated that its provision for property retirements for the twelve months ended December 31, 1942 closely approximated the amount shown as the appropriate accrual by its recent depreciation studies. These studies have not been reviewed by the independent public accountants.

3. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of "original cost". Subsidiaries subject to such requirements are in the process of complying therewith, and have been and may be required to make substantial adjustments to plant and property, surplus and other accounts, but pending final disposition of controversial matters, the full effect upon the accounts of the companies is not now determinable.

4. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary. Birmingham Electric Company, to declare or pay any dividends on its common stock, and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Order of the Commission, as follows:

	Three Months Ended November 30		Twelve Months Ended November 30	
	1943	1942	1943	1942
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	None	None	None	$449,999.64
Pennsylvania Power & Light Company	None	None	$488,559.50	366,419.63
Total	None	None	$488,559.50	$816,419.27

5. The Memphis Street Railway Company, an indirect subsidiary of National Power & Light Company, was operated by non-affiliated voting trustees under agreement which expired April 1, 1943. Beginning with that date, the operations of The Memphis Street Railway Company are included in the accompanying statement of consolidated income.

6. The provisions for Federal and State taxes based upon income, included in the accompanying statement of consolidated income, reflect the effect of extraordinary deductions for income tax purposes of unamortized debt discount and expense, call premiums on bonds retired and other related items resulting from refinancing by a subsidiary in 1939. If adjustments were made to exclude the effect upon taxable income of such extraordinary deductions (based upon the laws in effect at the end of the period) additional provision of $91,000 for taxes based upon income would have been required for the twelve months ended November 30, 1942.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statements of consolidated income, the Federal taxes for the twelve months ended November 30, 1942 would have been approximately $260,000 less than shown, and for the twelve months, three months and one month ended November 30, 1943 would have been approximately $260,000, $585,000 and $295,000, respectively, more than shown.

8. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks, held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

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